DOCUMENT RESUME

ED 102 893 HE 006 245

AUTHOR	Wish, John; And Others
TITLE	Granted Education. A Strategy to Increase the Return on Public Spending for Post-Secondary Education in Oregon. (Short Form--Conclusions and Recommendations).
INSTITUTION	Oregon Univ., Eugene. Consumer Rights Research Center.
SPONS AGENCY	Alfred P. Sloan Foundation, New York, N.Y.; EXXON Education Foundation, New York, N.Y.
PUB DATE	73
NOTE	64p.
AVAILABLE FROM	Consumer Research Center, University of Oregon, Eugene, Oregon 97403 ($2.00)
EDRS PRICE	MF-$0.76 HC Not Available from EDRS. PLUS POSTAGE
DESCRIPTORS	*Educational Finance; *Financial Policy; *Financial Support; *Higher Education; Post Secondary Education; *State Aid; Statewide Planning; Student Costs; Student Loan Programs; Student Needs
IDENTIFIERS	*Oregon

ABSTRACT

This study grew out of a desire to look at the reality of higher education within one state, one which has an outstanding record of public support for higher education, i.e., Oregon. It also seeks to complement the study conducted earlier in the year, which recommends further exploration of alternative ways of financing higher education. Briefly, what the authors tried to do was: (1) describe clearly the important components in state subsidies for higher education, (2) ascertain the relative efficiency and effectiveness of the different types of state subsidies and suggest shifts of funds among them which could produce superior results; (3) show how one particular alternative mix of subsidies could be implemented successfully in Oregon when introduced gradually over a number of years; (4) stimulate serious discussion of the means and ends in state subsidies to postsecondary education. At present, more than 98 percent of state and local tax funds are granted directly to the college, with the remainder--less than 2 percent--going to students in the form of grants, cash awards, or as the state's backing of student loans. The author proposed that this proportion be increased to about three-fifths of the total, with a corresponding decrease in direct state funding of the institution. The proposed shifts in funding would take place gradually during successive two-year periods that would allow ample time for research, reflection, and adaptation. (Author/PG)

ED102893

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

PERMISSION TO REPRODUCE THIS COPYRIGHTED MATERIAL BY MICROFICHE ONLY HAS BEEN GRANTED BY
John Wish
TO ERIC AND ORGANIZATIONS OPERATING UNDER AGREEMENTS WITH THE NATIONAL INSTITUTE OF EDUCATION. FURTHER REPRODUCTION OUTSIDE THE ERIC SYSTEM REQUIRES PERMISSION OF THE COPYRIGHT OWNER.

BEST COPY AVAILABLE

Granted Education

A Strategy to Increase the Return on
Public Spending for Post Secondary Education in Oregon

(Short Form - Conclusions and Recommendations)

by

John Wish, Wim de Vriend, and Dick Dent

The research task was undertaken by a team which included Nina Cutler, Dick Rankin, John Coggins, Sheri Meats, Jackie Mohr, and Janet Walsh.

HE 006 245

A study conducted by the Consumer Research Center of the College of Business Administration, University of Oregon, Eugene, Oregon. Center Director: John R. Wish, Associate Professor of Marketing.

This study was made possible by grants from the Exxon Foundation and the Sloan Foundation.

Published by Consumer Research Center, University of Oregon, copyright 1973 by John Wish.

BEST COPY AVAILABLE

We have organized this report for the reader who has the interest but not the time to peruse it completely. We wanted to make it possible for that reader to get most of the messages presented here without having to read or scan every page. To that end, pages of the present short report and of the longer version have been color-coded, as follows:

1. Green pages contain items which are essential to the proper understanding of the report. These pages contain the more pertinent conclusions as well as the recommendations. These pages have many specialized terms that are not fully defined here for they assume a knowledge of the field. The terms are defined in the following white pages.

2. Yellow pages carry items which are important but not essential. These are mostly matters which support the points made on the green pages or elaborate on them in some detail.

3, White pages comprise the bulk of the report, not of the present short form but of the 150-odd page long version. They contain information which supports the points made on the colored pages. But someone who has read the latter will already have absorbed the gist of these. Examples of material on the white pages are tables, graphs and more elaborate write-ups of points made more concisely on green or yellow pages.

BEST COPY AVAILABLE

Two versions of this report are available. The present short form, titled "Granted Education," includes only the Preface, Table of Contents and Chapter I. The entire report, called "Portable Grants for Post-secondary Education," contains all the material found in the short form plus considerably more extensive reports on major aspects of the investigation. These aspects have been listed in the table of contents included in the short form. Both reports are available from:

Consumer Research Center
Attn: John Wish/John Coggins
University of Oregon
Eugene, Oregon 97403

Please make checks payable to the University of Oregon Account 262-8911. Short form, $1.50 plus 50¢ postage and handling; entire report, $5.00 plus 50¢ postage and handling.

In addition, from the above address, a number of technical reports on individual subjects related to the contents of the present report are available for interested readers. A list of these is appended. The technical reports are available at 10¢ per page plus 50¢ per report for postage and handling.

John Wish can also be reached via the above address for any additional information. Until September 1, 1974, however, when he will be back from a sabbatical in Europe, questions can also be directed to:

Custom Research
Attn: Wim de Vriend
573 S. 12th Street
Coos Bay, Oregon 97420
(Telephone: 267-6177)

BEST COPY AVAILABLE

PREFACE

by John R. Wish

Origins of this study

During the summer of 1970 I was asked to give a speech to a Eugene service club. At that time, the campus riots were still fresh in people's minds and the relations between town and gown were at an all-time low. I therefore chose to speak about the University and how it could be different and maybe better. As a starting point I drew upon my own experience of working with undergraduate students on research projects away from the campus.* To expand on this, I searched through the then current literature on change in Universities and found three ideas which I chose to try out on the audience.

1. The leveling of enrollment could permit the state government to declare a moratorium on classroom construction and slow down the continuing rise in expenditures.

2. The university was certifying persons for various professions and perhaps some parts of the certification could be done better elsewhere.

3. Discussion and experimental use of "vouchers" should be carried beyond elementary education and into post-secondary education.

The audience's reaction was uniformly favorable. There was only one contrasting opinion, voiced by a representative of the Oregon State

---

*See "Students in the Community," Journal of Business Administration 3 (1), Fall, 1971.

 BEST COPY AVAILABLE

System of Higher Education who suggested that I was out of my field of expertise and should leave this complicated area of educational policy to the experts. The contrasts presented by the combined reactions of that audience so struck me that I decided to further explore the area of marketing and financing Higher Education. That fall term, some undergraduate students working with my associate, Romney Cooke, and me began to study higher education in greater depth. In the summer of 1971 we published our first report, an interim paper on the desirability and feasibility of vouchers, or, as we came to call them, "Portable Scholarships" in Oregon higher education.*

Some Helpful Persons

Many people were helpful to us in the pursuit of our studies. The first report would not have had the emphasis on grants without the suggestions of Representative John Dellenback, of Oregon's fourth district. Rep. Dellenback provided us with copies of the interim and final studies of elementary school vouchers that Christopher Jenck's group had done for the Office of Economic Opportunity. From the very early days of our study, Mr. Freeman Holmer, Vice Chancellor for Academic Affairs of the State Board of Higher Education, and Mr. Jeff Lee, Director of the Oregon State Scholarship Commission, were especially

*That monograph, "Issues of Grants and Loans," is available through the Bureau of Business Research at the University. My co-authors of that report, undergraduates all save one, were most helpful to me in formulating my ideas. These included Larry Becknese, Bob Cook, Mary England, Mike Guy, Jay Majeres (a local industrial engineer), Patti March, Marcia Millinger, and Tim Travis.

BEST COPY AVAILABLE

helpful in guiding us through the maze of government budget categories and interpretation of state law. Dr. Floyd Stearns and Dr. John Westine of the Educational Coordinating Council were invaluable in providing insights and understanding of the educational picture in Oregon. Dr. Robert Clark, President of the University of Oregon, was at all times most supportive of the idea that students and their instructors could study any area of interest as long as it was done in a professional and scholarly manner.

How this Report came to Fruition

After the publication of the 1971 interim report, Romney Cooke, David Sonnenfeld and Bruce Reichert, all of the Consumer Research Center, were most helpful in making contact with scholars, foundations and government agencies. Virtually all of the research for the present report was performed between September, 1972 and June, 1973. During that time Dick Dent* was co-director of this foundation-sponsored study until he departed Oregon in early July, 1973. He was most influential in shaping the direction and the design of the research and wrote the early drafts of the sections on student financial aid and student spending patterns.

Our total research effort could not have reached the depth it did without the aid of two studies in which many of the persons mentioned above had participated at some time. These studies were the

---

*Presently Director of Financial Aid, University of Massachusetts, Amherst.

BEST COPY AVAILABLE

State of Oregon sponsored Student Resource Survey, conducted in the fall of 1972,* and a study of Federal student aid in Oregon,** which was completed in May of 1973.

Two doctoral theses related to the present study were completed in August, 1973, and may be of interest to the serious reader. They are complementary to this report and are not covered in any detail in it.***

In addition, in the summer of 1973, two WICHE interns, John Coggins and Terry Drake, worked on the study team. A monograph of Terry Drake's exploratory studies into elasticity of demand and the relative inequality of property tax and the community college is now in press and will be published.

A "thank you" is due Kathy Jackson Miller who developed the basic report showing the need for an information system about education. That basic report led to the Expanded Career Information System. Another helpful consultant was Stephen Blair who helped develop the loan program.

---

*Dent, Culter, Westine and Stearns, Student Resource Survey. Salem: June 1973, ECC 27-73.

**See Dent and Wish: Federal Financial Aid Impact on Oregon, Academic Year 1973-74. Eugene, Oregon: University of Oregon, Consumer Research Center, 1973.

***John Frank McFall, An Examination of Parental Willingness Compared with Ability to Pay College Student Costs, and Claude R. M. Parent, An Examination of Oregon's Higher Education Industry on Selected Performance Criteria assuming a Quasi-Market System of Resource Allocation; both doctoral dissertations, University of Oregon, 1973.

BEST COPY AVAILABLE

Finally, on the basis of the many different contributions which were available by the end of this summer, the present report was edited and written by Wim de Vriend and John Wish. Mr. Jim Nelson, Vice President of the College Entrance Examination Board, was most helpful in making available research and computer programs of his organization. Mr. Nelson authorized the consultation of the Board's Programmer, Mr. Ed Jacobson, who worked with Mr. Dick Rankin, our Computer Programmer. Out of this cooperation came our particular computer simulation program.

In the Department of Economics of the University, a study is in progress which will be of interest to readers of this report. Under the direction of Dr. Jan Newton, the National Institute of Education is supporting a detailed investigation of the elasticity of demand for Oregon higher education. She is being assisted by Terry Drake and Dick Rankin, both of whom contributed significantly to this report.

Funding

This study was funded by the Exxon and Sloan Foundations of New York.

Relation to Other Studies

We have built upon the growing wealth of literature in the economics of higher education. As I see it, this report stands as a complement to the massive national studies of the Carnegie Commission for Higher Education. Their conclusions were perhaps more conservative, but I hope that we will encourage the discussion at the state level that they have stimulated nationally. We have also tried to be

BEST COPY AVAILABLE

complementary to the Newman Commission's work, and I believe that our analysis and recommendations are in line with theirs.

This study grew out of a desire to look at the reality of higher education within one state, one which has an outstanding record of public support for higher education. It also seeks to complement the FORE-sponsored study of early this year, which recommended further exploration of alternative ways of financing higher education. Briefly, what we have tried to do is

1. Describe clearly the important components in state subsidies for higher education.

2. Ascertain the relative efficiency and effectiveness of the different types of state subsidies* and suggest shifts of funds among them which could produce superior results.

3. Show how one particular alternative mix of subsidies could be implemented successfully in Oregon when introduced gradually over a number of years.

and 4. Thereby stimulate serious discussion of the means and ends in state subsidies to post-secondary education.

The Format

The report is available in two versions plus supplementary technical papers. There is the present summary report of approximately

---

*While realizing that states differ greatly--see Hight and Pollock, "Income Distribution Effects of Higher Education Expenditures in California, Florida and Hawaii," Journal of Human Resources, Summer, 1973.

BEST COPY AVAILABLE

60 pages and a complete report which is about three times as long. The latter includes all the summary material plus added details and figures.

Questions

Questions about the report or requests for more detailed information should be forwarded to me through the College of Business, University of Oregon, Eugene. Mail will be forwarded to me in Edinburgh, where I am spending the 1973-74 academic year studying Scottish higher education.

John R. Wish
Edinburgh, October 1973

TABLE OF CONTENTS

	Page no.
Preface	ii
Table of Contents	ix
CHAPTER 1 - SUMMARY*	
Introduction	1
Conclusions	3
Recommendations: Background	10
Component 1: Institutional Subsidies	16
Component 2: Need Grants	17
Component 3: Scholarship Grants	18
Component 4: Educational Loans	20
Administration	21
Summary Flow Chart	24
Operational Details	25
Some Background	32
Computer Simulation	39
CHAPTER 2 - POST-SECONDARY EDUCATION IN OREGON: PAST AND PRESENT	
Summary	
Public and Private Colleges	
The Early Years: Dominance of the Private Colleges	
Dominance of the Public Schools	

*This chapter is the same as the present short form of the report.

Page no.

State Involvement

The Oregon State System of Higher Education

Statewide Coordination

Community Colleges and Proprietary Schools

Community Colleges

Proprietary Schools

Some Figures About Oregon's Colleges

Some Figures About Oregon Students

The Independent College Student

The State System Student

The Community College Student

The Proprietary School Student

Summary Tables

CHAPTER 3 - THE EFFECTIVENESS OF STUDENT AID IN PROVIDING ACCESS

Summary

Factors other than Student Aid

The Student Aid Process

Student Aid Defined

Federal and State Need-Based Aid Programs

The Application Process

Need vs. Ability

Untapped Motivation

Nature of the Evidence

Page no.

Income and College Access

A Lack of Funds Still Limits Educational Opportunity in Oregon

Chances of Getting Aid

The Availability of Aid

Some Reasons for the Differences in Available Aid

Some Background on the Variations in Federal Funds

Students' Living Costs

Parents' Contributions

CHAPTER 4 - WHO SHOULD PAY FOR EDUCATION?

Summary

CHAPTER 5 - THE COMPUTER SIMULATION

Background and Results

Tables

References

List of Tables and Graphs

List of Technical Reports

BEST COPY AVAILABLE

CHAPTER I

INTRODUCTION

There is much we can be proud of in American higher education. It is distinguished from that in many other countries by its greater openness and its emphasis on personal achievement rather than birth and status. Oregon higher education is among the best in the nation, especially in terms of equality of access and cost. Yet it is our duty to keep searching for ways to improve educational services.

In this report we analyze some effects of the ways in which some $132 million in state and local taxes will be spent on Oregon higher education this year. We evaluate these effects in the light of some socio-economic objectives which are outlined below. We suggest ways to approach these objectives more easily, simply by shifting the use of funds in ways that we believe will make the system more responsive to the needs of students and taxpayers.

This is not a proposal to pour more tax money into higher education. Nor is it a plan to impose more layers of administrators upon the system. Instead, we propose a shift in management philosophy and a different way of spending what we're spending now.

The analysis which is summarized on the first pages of this chapter defines a number of deficiencies in the system. Many of these may have a familiar ring to citizens who are familiar with the work of study groups such as the Carnegie Commission. Our analysis is thus part of a larger, national re-assessment of educational policies. Our

BEST COPY AVAILABLE

recommendations, too, reflect concepts proposed by a variety of scholars in recent years. The idea that these proposals have in common is an emphasis on student-oriented financing rather than institutional subsidies resulting in universally low tuition.

We have taken several of these proposed financing methods--most of which are practiced in embryonic form in Oregon now--and combined them into one program that looked coherent and promised to be effective in the projections. We should stress at this point that our particular program is not too important in the final analysis. The important thing is that programs such as the one investigated here are feasible and could increase considerably the effectiveness of our spending for higher education. At the same time, many other programs are feasible which share the same philosophy and could obtain similar results. If this is realized, our objective of stimulating serious discussion of the means and ends in state subsidies to post-secondary education will have been met.

BEST COPY AVAILABLE

CONCLUSIONS

1. Enrollments in post-secondary education are leveling off but expenditures keep rising.

During the sixties, enrollment in post-secondary education doubled and redoubled in the newly-established two-year community colleges. At the same time it doubled in the Oregon State System of Higher Education colleges and universities and it probably also increased in the private vocational schools.* Only in the independent colleges did enrollment remain approximately constant. During these years, gigantic building programs were inaugurated so that now there is room for virtually anyone who wants to go to a public college in Oregon. Presently, enrollments are leveling off and a zero growth situation is developing. Nevertheless, the general fund appropriations for post-secondary education have continued to rise by about 15% from one biennial appropriation to the next.

Education being a labor-intensive industry, rising costs per student have been thought inevitable. But it seems unlikely that the current rate of growth in expenditures can be sustained. First of all, that would mean another doubling of expenditures within ten years, during which student enrollment will probably remain stable. And secondly, if some changes are not made, it may be very difficult even to limit the rise in expenditures to 100% since this represents the extension of a growth rate during years that were less inflationary than the present ones.

---

*Only in recent years have the private vocational schools been considered as worthy of consideration as part of post-secondary education and we know little about them.

BEST COPY AVAILABLE

The heady growth in student numbers of the past facilitated the introduction of new programs and methods in the schools because, as a rule, the new additions threatened nobody's job. But the present no-growth situation is different. Difficult decisions may have to be taken concerning priorities. Questions arise concerning who will establish these priorities and how they will be implemented. The proposal detailed on the following pages gives one method of dealing with the zero enrollment growth of the seventies.

2. Because of increasing costs education is not as accessible as it could be.

College is required for many jobs and the number of years a person spends in school and his income in later life are closely related. For these reasons, a democratic society wants to minimize economic restraints which keep people out of school. The alternative is the creation of a privileged class which perpetuates itself through exclusive access to education.

By granting tax funds directly to public colleges, we have made it possible for many people to attend because they are only charged a fraction of the actual cost of instruction. But this has created inequities for people at both ends of the income curve.

At one end, the well-to-do are in effect subsidized by tax money to send their children to low-tuition public schools when they might have been willing to pay a larger share of the cost of college than they do now.

At the lower end of the income curve are those to whom even the relatively low tuition charges plus the attendant expenses of

BEST COPY AVAILABLE

books, room and board are a severe burden. If they are to have a fair chance of participating in the educational process, it would seem more equitable to shift the subsidies away from the well-to-do and towards the truly needy. Economic mobility could be greatly enhanced.

The economic jargon of private and social benefits of education may be a helpful way of discussing some other inequities at which we've hinted. Economists choose to use the term "private benefits" to refer to good things that accrue to individuals--such as a high salary--while social benefits of education are good things that accrue to one's neighbors and one's community--such as the higher degrees of concern for and participation in local government which college-trained citizens tend to exhibit.

When we apply these concepts, the first two years of post-secondary education with their rather general curricula seem to provide largely social benefits while graduate professional education provides mostly private benefits. Yet, paradoxically, the graduate students often pay less of their instructional costs than do freshmen and sophomores.

3. The cost of education bears little relationship to tuition charged.

Educational resources, as any others in society, are limited. To arrive at a better allocation of these scarce resources it may therefore be desirable that the cost of producing education be felt by the buyer.

It will be easy for anyone who has attended college to realize that it costs less to conduct an undergraduate class than

BEST COPY AVAILABLE

one at the graduate level. Differences in both class size and the qualifications of the teaching staff make this fact obvious. We have found that the average annual cost of instructing one student in Oregon colleges varies from $1,400 for freshmen and sophomores in state system schools to over $10,000 for medical students. The average cost of instruction for any particular class varies much less across types of colleges. For instance, the average lower division cost of instruction in Oregon colleges varies from $900 to just over $2,000.

Tuition charges across the state do not reflect costs, even in a relative way. Tuition charges as a proportion of instructional costs decrease at the higher levels. For instance, medical students pay the lowest percentage of the cost of instruction in the Oregon state system. Dental students contribute a percentage that is as low as that paid by community college students. There is support for the allegation that graduate education is being subsidized by undergraduates. And there are of course the great differences between the percentage of cost contributed by student tuition in public schools and in independent colleges (Chapter 4). These differences result from the fact that some colleges get more state subsidies than others.

4. Tuition charges, with or without student aid, have little relationship to the earnings that can be expected later.

Generally speaking, the more education one has, the greater the earnings potential in later life. Current data show that white

BEST COPY AVAILABLE

males 35-54 with only one or two years of college earn 30% less, on average, than those who have graduated from college. The latter earn less in turn than men who have a graduate degree. Dentists and physicians earn far more yet (Chapter 4).

But the different amounts that college students within a given system (e.g. Oregon State System of Higher Education) contribute to the cost of their education has an inverse relationship to this pattern of expected earnings. In the public four-year colleges students' contributions to the cost of instruction are highest at the lower-division level, lowest at the graduate level, and these differences are small when compared to the difference between students' financial contributions at public colleges and at independent colleges. At the latter, students may contribute a share of the cost of education which is up to three times as high. But since the average graduate of a private college, e.g. Willamette, can hardly expect to earn two or three times as much as an average graduate from the University of Oregon, the economically rational student who looks upon college as an investment for a higher paying job will most likely choose the school with the lowest tuition.

5. The present system of student financial aid is haphazardly organized and takes inadequate account of need.

Most student financial aid is provided by the federal government to colleges, for distribution to their students. The amount of aid available depends largely upon the "grantsmanship" of institutional financial aid officers. In the 1972-73 school

BEST COPY AVAILABLE

year the chances of obtaining aid in one Oregon college were as much as three times as large as they were in another institution of the same type.*

Many students who received aid claim they do not really need it to attend college while the more urgent needs of others go unmet. These others are not only students from poverty-level families. There are large groups of students from middle-income families who are turned down for aid mainly on account of funding limitations (Chapter 3).

Although some corrective action can be taken, this situation has come about mostly as a result of developments beyond the control of the State Scholarship Commission or the Coordinating Council. Moreover, possibilities of raising additional state funds to cover the deficiencies appear to be very limited. Greater potential is seen in changing the current policies of subsidies to Oregon Public Colleges and providing more centralization in student aid.

6. The educational system is not as responsive to the needs of its customers as it could be.

The position of the publicly supported schools in Oregon can best be defined as a sellers' market. These institutions are but little dependent on student fees for financial support as at

*In spring 1973 when the Oregon legislature was made aware of inequities in the administration of student Financial Aid it moved quickly. It instructed the Educational Coordinating Council and the Oregon State Scholarship Commission to provide greater coordination, supervision and assistance to the Public College financial aid officers. The need for additional legislation is likely, although not yet clear.

most one quarter of their resources come from them. In contrast, independent four-year colleges depend on student-paid fees for up to three quarters of their financial needs. Also there are the private vocational schools which offer practical instruction of relatively short duration but at comparatively high cost to students (Chapter 3).

These, then, are the separate and unequal sellers of educational services in Oregon. The prices they charge their clients in no way reflect the differences between their respective "products." Their accessibility and students' freedom to choose between them is grossly distorted by the price differentials.

Our premise is that if the interaction between the demand for educational services and the supply were more realistic--in a system that was more akin to the marketplace with consumers more at liberty to direct their demand to any product they preferred--greater flexibility and economy would result. Increased competition among alternative institutions could lead to greater responsiveness, an increase in educational quality, and lower costs.

BEST COPY AVAILABLE

RECOMMENDATIONS

Background

The basic philosophy common to the financing methods which we explored in this project was a shift away from direct institutional funding to funding of students. At present, more than 98% of state and local tax funds are granted directly to the colleges with the remainder--less than 2%--going to students in the form of Need Grants, Cash Awards or as the state's backing of student loans (Chapter 2). We propose that this proportion be increased to about three-fifths of the total, with a corresponding decrease in direct state funding of the institutions. The degree to which each of the three types of student funding should be expanded under such a system is, admittedly, the product of some value judgements which not everyone may share. It is entirely possible to come up with a mix of student financing which is quite different from the one we are proposing.

Furthermore, our proposal has a built-in flexibility thanks to its 4-stage introductory provision. Shifts in funding would take place gradually during successive 2-year periods which would allow ample time for research, reflection and adaptation.

In summary, our program is flexible and does not need to be bought "as is." But given our objective of investigating the feasibility of a student-oriented funding program, we felt it necessary to come to specifics. The figures and other details on the following pages are the result of this. Let us now list very briefly the thinking that was the basis for the choices made.

BEST COPY AVAILABLE

Recommendations

1. We felt that the problems outlined on pages 3 through 9 could be best dealt with by a strategy of raising tuition charges in the public colleges coupled with an expansion of mostly need-based student aid. This thinking was basic to the entire shift towards student-oriented financing. It was felt that such a strategy would increase access, return the public institutions to a buyers' market relationship with their students and re-establish some relationship between educational costs and benefits.

2. We felt that increased competition among all institutions of post-secondary education--public and private, including vocational schools--would be a good thing. It would definitely increase the variety of opportunities for students and might help to keep costs in line.

3. We felt that the state had a responsibility for providing access to post-secondary education but that this responsibility ended somewhere.*

On the other hand, we felt that access for motivated undergraduate students should and could be improved. The latter contention is borne out by the figures produced by our simulation program. But we also felt that the state should get out of the business of making people offers they couldn't refuse. This applied specifically to

*Other things being equal, we felt that state money should be directed where private benefits from post-secondary education are relatively low (i.e. the introductory years). Students enrolled in programs with high private benefits (i.e. graduate programs) should be expected to finance the cost of their studies themselves, primarily with loans.

BEST COPY AVAILABLE

college access at the graduate and post-graduate levels, which may have been subsidized at the expense of the undergraduates for reasons which have little validity in this day and age (see Chapter 4). It applied also to the policy of pricing state-supplied education at a fraction of the charges at the private schools.*

Briefly, such discount pricing has not only put the private colleges at an increasing disadvantage, but it has also made rational comparisons of the courses offered by public and private colleges virtually impossible.

4. We felt state subsidies to higher education should be arranged so that Federal government funds to institutions are maximized within the framework of the laws and policies enacted by the state legislature.

Below are the more detailed figures and program descriptions used in this project. Table I-1 conveys the essence of the proposals in the most simplified form, leaving out the various introductory stages and other details listed elsewhere.

The Proposal in Brief

The proposed components are, with one exception, changes in emphasis on what already exists. While the components fit together into what we have chosen to call a plan, they could well be adopted individually. Certainly other parties with different value orientation

*Far below basic cost. This needs to be regulated by a new law. The Federal anti-trust laws could be a model for state legislation to protect schools against predatory competitive practices.

could choose different emphases.

We have chosen to treat the $132 million annual state and local tax funds as a given and assumed the same amount of tax monies would be available in the future. We have proposed a gradual withdrawal of over half the institutional subsidies, with that money being transferred to Oregon citizens (over an arbitrarily chosen eight-year period).

It may seem that the figures represent dramatic departures from current practices, but in reality they merely express a more complete realization of concepts already present--but inadequately realized--in current student financing policies at the state level. These policies consist of "a balanced approach of need-based grants for the economically disadvantaged and a scholastic and need-based award program, both to be supplemented by an adequate program of student loans" (OSSC '73, p. 2).

In sum, the present state approach to higher education has four parts, just as the proposed plan does--institutional subsidies, need-based grants and scholastically-based grants, and guaranteed loans. This pattern is continued with slight shifts in concepts and larger ones in the relative importance given to each component.*

*In passing, it should probably be mentioned that we feel a good information system on alternatives in education and careers will be quite important to the operation of the proposed program. However, this is not a major budget item and therefore is not included in the program budget breakdown which follows. More details can be found on p. 36.

BEST COPY AVAILABLE

Table I-1

CURRENT AND PROPOSED APPLICATIONS OF STATE AND LOCAL FUNDS FOR POST-SECONDARY EDUCATION

		1973-74 (Estimated)		8 Years Hence, in Step 4 of Plan	
		in $1,000	%	in $1,000	%
Component 1)	Institution-Based Aid Education and Construction funds for Institutions:	$130,000	98.5	55,800	42.3
Component 2)	Need-based Aid Need Grants:	1,600	1.2	49,500	37.5
	Achievement-based Aid Cash Awards	400	.3	---	---
Component 3)	Scholarship Grants:	---	---	26,700	20.2
	Total State General Fund and local funds:	$132,000	100%	$132,000	100%
Component 4)	Guaranteed Educational Loans Capacity:	$ 47,000		$100,000*	

*NOTE: The latter does not mean the state incurs an additional expenditure for loans of $53 million a year. Under the present guaranteed loan system, the state puts up 2 percent of the amount that can be guaranteed in loans to Oregon banks. The amount guaranteed annually amounts to about $8.5 million, which will approximately double under the plan. Alternatively, instead of expanding the present program, total loan capacity could be increased by a state bond issue specifically to finance loans. In that case, the state would go directly into the loan business. Interest income and arbitrage might make the program virtually self-supporting as is the Veterans' Home Loan Program.

BEST COPY AVAILABLE

Recommendations.

The essence of the proposed program is a thorough shift in emphasis. Over a period of eight years some state funds will be shifted from institutional support (Component 1) directly to the students. This will be in the form of Need Grants (Compenent 2), Scholarship Grants (Component 3) or guaranteed loans (Component 4). During that time, the proportion of tax money going to the institutions directly will decrease from the present 98% or more to about 40%, the exact percentage depending on developments during the gradual introduction of the new approach.

More detailed figures on the effects of the plan on Oregon higher education finances are given in the tables at the end of this chapter (summarized on pages 40-42) and in Chapter 5.

The essential rationale for the idea of extensive grants to students is to increase the influence of Oregon students in regard to their education. The students will be able to direct their preferences to any approved institution* of higher learning within the state. As indicated, these institutions will include Oregon public and independent colleges as well as state approved private vocational schools.**

The expansion of the Need Grant program and the concurrent

---

*Screening and approval of institutions as recipients of students' grant funds will be conducted by a central agency of the State of Oregon.

**See pp. 32-33 for some background on expanded state aid to private colleges (the "church and state" issue); see pp. 34-35 for some details on the position of private vocational schools.

BEST COPY AVAILABLE

necessary increases in tuition in the public schools will promote greater freedom of choice for the student and also provide a more equal basis for competition among the colleges. Perhaps the publicly supported colleges will feel most of the change as more and more of their revenues will depend on students' tuitions. While this may, to some extent, upset the status quo at the public colleges, it perhaps is desirable. Competition should tend to place greater emphasis on controlling costs and on supplying quality educational services.

Let us look at each of the four components.

Component 1: Institutional Subsidies, $55.8 million

As we see it, state and local subsidies to public colleges are likely to continue for some time. These subsidies can be justified on the basis of historical precedent, need for special programs, and construction of new buildings. Thus we have proposed, somewhat arbitrarily, that about 40%* of the public state and local tax revenues should continue to go to the institutions. They should, however, be allocated through one centralized planning agency responsible directly to the state legislature. These subsidies would be available only for public colleges. (See EdPlan, pp. 22, 31.)

---

*Some members of the research team argued strongly that all state aid for post-secondary education should be given directly to citizens and all institutions should become more dependent only upon the market place.

BEST COPY AVAILABLE

Component 2: Need Grants, $49.5 million*

The present state approach to student aid is three pronged, as is the proposed program. First of all, there are Need Grants, which are based on a student's financial situation. The Need Grant approach will not be materially altered except that many more dollars will be available for it so that most of students' financial needs will be met instead of only a fraction, as is the case now. On the other hand, eligibility for Need Grants will be restricted to undergraduates.**

The increase in tuitions which will take place primarily in the public colleges will eventually cause the Need Grants and other grants to take on the character of vouchers or portable grants. At the present time, state Need Grant amounts for students who attend private Oregon colleges may be up to twice as large as those given to students in state schools. But once tuitions are equalized among the different institutions (at least they will be practically equal by class level--see tables later in this chapter), grants can be standard amounts depending only on a student's personal circumstances and his academic standing.***

---

*In our computer simulation we found that the $49.5 million would be sufficient to meet 90% of undergraduate students' remaining needs at the higher tuition level.

**See Chapter 4 for our thinking on the state's role in providing access to undergraduate rather than graduate education.

***Most portable grant and voucher proposals suggest standard amounts given to every student regardless of personal finances. This is an approach that is much more affordable at the elementary or secondary level where attendance is universal, and we are not proposing it here. However, the arguments that can be made for it have some basis in equity, as has the argument for a "birthright grant" to be given to everybody after high school regardless of whether or not they plan to attend college. An appendix with some background on "birthright" thinking is available on request.

BEST COPY AVAILABLE

These grants will give the students more "purse-string power" over their education. The students, in turn, will be able to direct their preferences to any approved institution of higher learning within the state.

Component 3: Scholarship Grants, $26.7 million

The concept that scholarship and excellence need to be rewarded is preserved. A group of grants called Scholarship Grants will replace and expand the idea behind Oregon Cash Awards.

Under the expanded Need Grant program there will still be financial need at the graduate level (to be financed by loans) and there will be an increased need for assistance among groups other than the usual full-time students between 18 and 24. These are, mostly, adults seeking re-education for a second career or desirous of taking some classroom instruction simply as a way to enrich their lives, without a career objective. Many expect that demand for educational services among these groups will increase. Hence our proposal for the creation of a special group of portable grants called Scholarship Grants.

As a minor branch of the Scholarship Grant program, we propose a type of grant to specifically preserve the concept of awarding excellence (now found in the Cash Award program). The total Scholarship Grant program proposed is therefore as follows.*

---

*For more details than are given on the following pages, see p. 28.

BEST COPY AVAILABLE

a. Career Scholarship Grants - $12.5 million

Career SG's are for adults who seek re-education for a specific purpose. Stipends will consist of living allowances ranging between $200 and $300 a month plus tuition vouchers. The grants can be supplemented with income of the student or his family with no penalty.

The purpose here is to aid ambition and to make it easier for adults to spend some time re-educating themselves.

b. Achievement Scholarship Grants - $4.2 million

Achievement SG's are prizes awarded for excellence in any field of endeavor. They will consist of grants for expenses involved in one year of study at any state-approved institution of post-secondary education.

This portion of the SG program seeks to specifically award excellence in any field in the state. To give everyone a fair chance, quotas should be established. We suggest that half of the awards be reserved for people who are not connected as students or teachers with any school.

Any of the award winners will be able to supplement their education without incurring financial burdens, while the institutions will profit from having students with unusually diverse and outstanding backgrounds.

Achievement Scholarship Grants are an expansion of the present Oregon Scholars Program which is a non-monetary award for outstanding Oregon high school seniors. The announcement of the Scholars is one of the high points of graduation ceremonies, but it frequently becomes a hollow gesture when the "scholar" finds he cannot obtain a state scholarship. State Achievement Scholarship Award ceremonies could develop into worthwhile news events.

BEST COPY AVAILABLE

c. Development Scholarship Grants - $10.0 million

Development SG's serve those adults who would like to take some classroom instruction simply as a way to pursue some special interest and enrich their lives.

Development SG's cover the cost of tuition only. They could be awarded through a distribution formula to be worked out by EdAid. This formula would take into account factors of geography and course content. If demand exceeds supply by very much, some random distribution formula might have to be introduced. (Assuming a tuition of $100 per three credit-hour course, 100,000 Oregon citizens would be able to take one course each year.)

At present there is virtually unlimited access for middle-class adults who want to take college courses. We have little way of knowing how many tax dollars are used. There is no way to adequately differentiate a "socially worthwhile" from a "socially worthless" course for the part-time adult student. Thus we suggest a specifically identifiable budget category for the adult part-time student.

Component 4: Educational Loans - Expansion of capacity to $100 million

The state has already recognized an obligation to help those students who are willing to borrow on their future by providing guaranteed loans. However, the higher levels of tuition under this proposal unquestionably will increase the demand for loan funds, particularly among graduate students. Furthermore, the total amount of loans under the present guarantee program has almost reached the total that can be guaranteed at this point. (OSSC '73, p. 27) The federally Guaranteed Loan Program (G.L.P.) could possibly be expanded but the relatively short term payback period and the heavy reliance that the federal government puts on parental need analysis makes the G.L.P. less attractive.

BEST COPY AVAILABLE

The need analysis for a loan is also irrelevant when we consider that it is the student, not his parents, who will benefit from the education.

We therefore propose a state run educational loan program patterned after the successful and popul[illegible] State Veterans' Home Loan Program. The educational loan program would be expected to generate sufficient revenues to pay the cost of its operation, although state backing would be needed for the bond issues used for loan funds. That way three categories of students would be aided:

1. Students of parents who object to providing the financial information presently required.

2. Students whose parents will not contribute the amount that they "should" according to financial need analysis.

3. Students who are in training programs which have high cost instruction with good salary prospects, such as medical, business and law students.

Such a loan program should have a feature allowing partial or total forgiveness by graduates who help meet specified needs of the State of Oregon and its citizens (e.g. medical school graduates who choose to practice in specified rural areas). (See page 29, State Educational Loans.)

It is this component that would require new legislation.

Administration

In accordance with the changes in the direction of funding, there will be changes in the composition of state agencies concerned with post-secondary education. The public colleges will become more

BEST COPY AVAILABLE

autonomous, yet the state agencies will be much more involved in Student Aid.

The present State Scholarship Commission will need to be expanded. To convey its new, more extensive function, we have renamed it the Educational Aid Commission (EdAid). EdAid will handle the administration of all state government aid to individuals for post-secondary education, which includes portable grants and loans. (See page 30.)

While EdAid will fill the needs of individuals, another agency is required to make sure the needs of society are fulfilled. This would be, in our plan, an expanded Educational Coordinating Council. We have called it the Educational Planning and Research Agency (EdPlan). EdPlan will deal with the broader issues concerning state aid to post-secondary education. It will develop policies and procedures, disseminate information, handle state accreditation of institutions, and allocate institutional subsidies. (See page 31.)

The Expanded Career Information Service* will need to be closely nurtured and perhaps given legislative authority to collect and disseminate accurate information for individual decision making. This recently formed office makes available career and college information to Oregon citizens through easily operated teletype terminals located in local high schools and selected junior colleges. (See pages 37-38.)

---

*State headquarters of the Expanded Career Information Service is Hendricks Hall at the University of Oregon, Eugene.

BEST COPY AVAILABLE

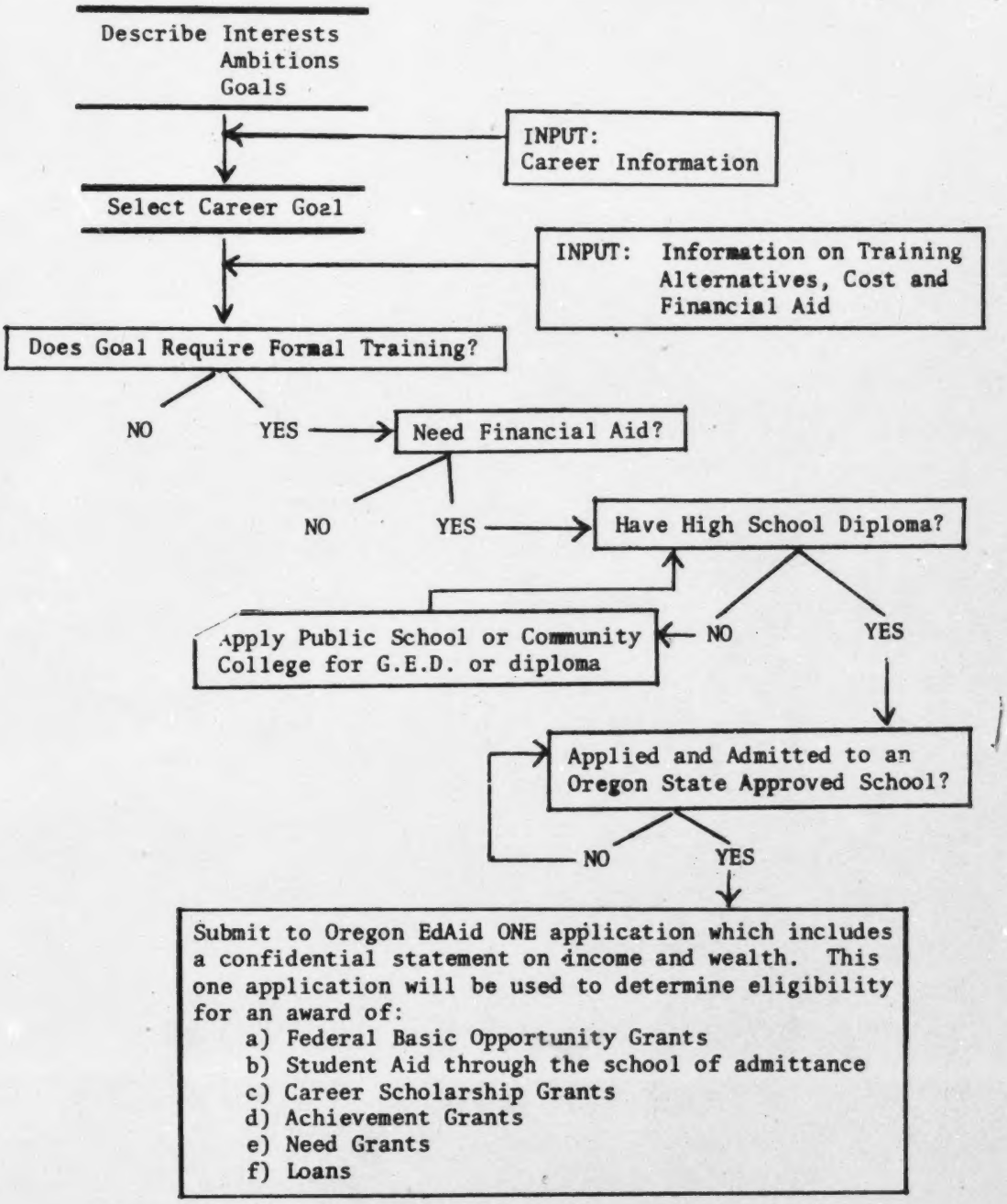
A summary flow chart of the most important features of the proposal is printed on the next page. Further operational details of the program are contained in the section following the flow chart.

BEST COPY AVAILABLE

SIMPLIFIED FLOW CHART

The new Oregon System of
CAREER CHOICE and STUDY FINANCING

Concerns Oregon Residents Only
(Does not include Development SG's)


Describe Interests
Ambitions
Goals
INPUT:
Career Information
Select Career Goal
INPUT: Information on Training Alternatives, Cost and Financial Aid
Does Goal Require Formal Training?
NO
YES
Need Financial Aid?
NO
YES
Have High School Diploma?
Apply Public School or Community College for G.E.D. or diploma
NO
YES
Applied and Admitted to an Oregon State Approved School?
NO
YES
Submit to Oregon EdAid ONE application which includes a confidential statement on income and wealth. This one application will be used to determine eligibility for an award of:
a) Federal Basic Opportunity Grants
b) Student Aid through the school of admittance
c) Career Scholarship Grants
d) Achievement Grants
e) Need Grants
f) Loans

BEST COPY AVAILABLE

For those who are interested, the follcwing section provides details on:

Need Grant procedures

Scholarship Grant procedures

State educational loans

Duties of EdAid

Duties of EdPlan

BEST COPY AVAILABLE

Need Grants
Details on Eligibility and Application Procedure

All eligible applicants must have the following qualifications:

1. They must have been Oregon residents for at least two years preceding the date of their application or they must have graduated from an Oregon high school.

2. They must be high school graduates but not 4-year college graduates.

3. They must file an application with Ed Aid. Scope of the application will vary according to the age of the student and the extent of his desire for financial aid.

a. students under age 24

a.1. Dependent students under 24 who want to cover more than half of their needs* by means of a need grant will have to provide full details concerning their parents' financial positions, as this is done now via the Parents' Confidential Statement

a.2. This leaves students who are under 24 but self-supporting or married, and students under 24 who are dependent but unwilling or unable to provide the details on parental income.

All of these can apply for a need grant as individuals without regard to parental income, dependency or their own marital status. However, the amount of their need grant cannot exceed 50% of their remaining need. If they need more than that amount they can apply for a loan to cover the remainder.

The standard need figure used by Ed Aid in these cases will not vary according to declared independence or marital status.

---

*Needs are defined as total cost (minus self help plus expected parents' contribution plus other aid). An alternative to "half of needs" could be a maximum amount of dollars per student, determined by the state.

BEST COPY AVAILABLE

Philosophy: The state does not need to subsidize marriage or the desires of individuals to gain personal independence. Having higher awards for declared independent students could have this consequence, or it could cause pseudo-breakup of families in the same way the AFDC welfare programs have. Any of these students can be aided on a limited, impartial basis which will at least give them a start towards their study goals. If they want to seek loans to cover the remainder of their needs, they can do so.

b. Students over age 24*

Undergraduate students age 24 or over will be considered independent of their parents. The method for calculating their need for portable grant funds is the same as the one used for the under 24 students under "a.2" above.

It should be remembered that state Need Grant as well as Scholarship Grant programs will be largely supplementary to present federally funded programs, except as they apply to people in certain middle-income groups who are presently ineligible for such programs but who need help. For the greatest number of students, then, Need Grants will be in addition to, for instance, BEOG's which many expect to cover up to $1,400 of the cost of college attendance in future years. However, state Grant funds and loan aid both will tend to be more generous for those whose family income is too much for them to qualify for aid now, yet does not make college attendance a realistic possibility.

---

*The rationale behind the age 24 cutoff standard is that normally it is possible for people to graduate from high school and be in their college senior year by the time they reach 22. However, we do not want to penalize people who have put in a couple of years of voluntary service, travel or work between high school and college or some time during their undergraduate years.

BEST COPY AVAILABLE

Scholarship Grants

Details on Eligibility and Application Procedure

1. Eligibility for any type of SG will be limited to Oregon residents of 2 years' standing. Applicants for the first two types of SG's must have worked in a non-school setting for at least five years.

2. Applications for Career SG's will center on an applicant's motivation and goals. He will provide the following information:

a) The goal he has set for himself and the importance of that goal to him.

b) How his study plans will help him achieve his goal.

c) How he feels his accomplishing this goal will benefit his fellow-workers, his community or his state.

d) A brief outline of his anticipated need for assistance.

The application will be reviewed by a citizens' panel composed of educators, businessmen, and concerned citizens. They will assign his application a priority in the applicant pool for the local area. Appeals can be made to Ed Aid.

3. To be considered for an Achievement SG, an individual may be nominated by three fellow citizens. Nominations will be judged and awards made by regional citizens' panels nominated by Ed Aid.

4. Applications for Development SG's will consist simply of an individual's depositing his name in a pool of applicants for his area before the start of each term. If selected, he will receive a voucher good for tuition for one course at any state-approved institution. Ed Aid will administer the program. The voucher will be good for one year. A winner cannot enter his name again for a set period of time, which can be determined on the basis of demand and supply, as well as on budgetary factors. In the distribution formula applied by EdAid, each institution should be assured of a certain minimum number of Development SG's in order to be able to plan for faculty and space.

BEST COPY AVAILABLE

State Educational Loans

Details on Administration

1. Loan needs of each applicant will be reviewed annually. EdAid, in its communications with loan recipients, will include data on the total amount of loans received, the maximum amount the recipient can borrow yet during the course of his studies, and the anticipated minimum monthly payments after the grace period. The grace period will be the first two years after a student completes his studies.

2. Determinations concerning loan amounts will give more weight to a student's anticipated earnings in later life. For most undergraduate students we feel that an upper limit of $6,000 on the total amount borrowed will be adequate and prevent unmanageable debt burdens. For others, particularly those who may reasonably anticipate high earnings--medicine, dentistry,* possibly law and business--amounts can be higher, up to $50,000. These payments could be spread over periods up to 25 years, as is done for other major investments such as homes.

3. Loan forgiveness features can be tied to special areas of state interest. For example, loans to doctors can be forgiven in return for a certain number of years of practice in areas that have low physician to patient ratios, particularly rural areas and low-income districts of Portland.**

4. Medical and dental students who fail to complete their programs will also be allowed to have all or part of their debt forgiven by service in a high need area at their level of competence.

---

*Medicine and dentistry have been left out of the projections in this report. This does not mean they should be outside of its scope; it was done to simplify the figures. As was explained in the introduction, we feel that higher education should be priced on a full cost basis. In view of students' high earnings expected later, this goes for medicine and dentistry also. We expect reliance on loans in this area to increase considerably, but what would be large debt burdens to most people should be quite manageable to most doctors and dentists.

**Experience with loan programs of this type in other states indicated that only two thirds of participating physicians actually went into the need areas. The others elected to pay off their obligation, which provided new loan funds. Some concluded that this meant the programs failed, but this may be incorrect. (See an Oregon State memo of September 19, 1972 to Robert W. Smith, from James E. Sexson).

BEST COPY AVAILABLE

Duties of the Educational Aid Commission (EdAid)

Essentially, this Commission represents an expansion of the present State Scholarship Commission. Its basic function is to administer citizen based educational aid programs.

1. Perform all present duties of the State Scholarship Commission.

2. Administer all Oregon grants to individuals for post-secondary education (e.g. Components 2 and 3).

3. Coordinate federal and state portable grant programs. The agency will seek to administer the federal Basic Educational Opportunity Grants in Oregon.

4. Administer State educational loan programs (Component 4).

5. Develop and maintain a need analysis system for administering state aid programs and other student aid at public institutions.*

6. Coordinate institution based and citizen based student aid to maximize federal dollars coming to Oregon.

7. Report to the legislature on aid equity (i.e. the relationship between aid received by students and their family incomes).

---

*The portable grant program, it is true, will considerably increase the number of student aid applications to be processed. However, counter-balancing this increase in paper work will be a relative decrease brought on by a centralized and more rational determination of student budgets and awards based on one application. (For background on this, see Chapter 3.)

BEST COPY AVAILABLE

Duties of the Educational Planning and Research Agency (EdPlan)

This agency is essentially an expanded Educational Coordinating Council. Its basic function is to monitor and plan for post-secondary education.

1. Perform all present duties of the Educational Coordinating Council.

2. Monitor, project and set enrollment limits for institutions to prevent short term disruptive shifts and to assure some degree of accuracy in planning for faculty and space.

3. Make recommendations concerning the establishment or termination of educational programs.

4. Provide grants to public institutions (Component 1).

5. Collect and disseminate cost information on all institutions which benefit from state support.

6. Make recommendations concerning institutional and student subsidy levels to the legislature.

7. Sponsor the Education and Career Information Service.*

8. In cooperation with the Attorney General, enforce regulations governing trade practices. Particular attention will be given to combating practices which restrict competition among the institutions. Examples are price-fixing, charging tuition which does not reflect at least the cost of the education, and false advertising.

9. Investigate and recommend procedures to be adopted at institutions. Examples would be standard accounting systems (to make cost pricing more comparable) and centralizing institution-based student financial aid.

10. Set standards for state approval of all post-secondary institutions.**

---

*See pages 37-38. This system is expected to be self-supporting, but this has not been verified yet. We feel the ECIS system is important enough that the state should be prepared to at least guarantee its operation.

**The awards to Oregon citizens of need grants and scholarship grants will be valid only at these state approved institutions.

BEST COPY AVAILABLE

The following section provides more details on three issues about which the reader may have questions by this time. They are:

Church and State (page 33)
concerning state aid to private schools.

Proprietary Schools (page 35)
or why private vocational schools should be included in state student aid plans.

Consumer Information (page 37)
or how this program can be made to work at maximum efficiency with an adequate information system.

BEST COPY AVAILABLE

Church and State

At some time this program may be interpreted as a scheme to channel state support to religious schools. Since this is an issue which evokes much sentiment, we have allowed ourselves to digress a bit from the main theme to deal with this issue squarely.

Let us say first of all that the customary rationalizing argument for state-support of religiously affiliated schools (the "uniqueness" argument) has lost much of its validity. If such schools once offered curricula steeped in more humanistic, traditional values, few of them do so today. This is because, in their struggle to compete with the low tuition state-supported colleges, they have largely copied the curriculum and practices of the latter. As a result, we think one would be hard pressed to find real differences in character between Lewis and Clark College or Willamette University on the one hand and Portland State University or Southern Oregon College on the other--without considering the size of the institutions.

Religion, in any discussion of this program, is pretty much of a red herring. Most "religiously affiliated" colleges today are glad to attract students of any religious denomination, and the chances of such students becoming converted to the creed of the college's affiliation are easily exaggerated.*

*The Supreme Court recognized as much in June, 1971, when it declared unconstitutional state laws giving aid to elementary and secondary parochial schools but upheld a Federal law providing construction funds for private--including church related--colleges. Noting the "skepticism of the college student," Chief Justice Burger held that they were considerably less likely to be indoctrinated than were elementary and secondary school students.

BEST COPY AVAILABLE

The precautions which the state will need to take in its dealings with private colleges will be essentially those now used by the Oregon State Scholarship Commission in its grants to Oregon students attending Oregon Independent Colleges.

BEST COPY AVAILABLE

Proprietary Schools

One hoped-for effect of this program of granted education will be a broadening of students' alternatives after high school. While the program will make private 4-year colleges more accessible and the public colleges more aggressive, quite possibly it will also stimulate more growth in the group of schools known as proprietary.

Proprietary schools can be defined as privately-owned and operated institutions providing vocational instruction for a fee which includes a profit for the owners. In 1972 the Oregon proprietary schools enrolled approximately 8,300 students. At first glance this makes them as a group comparable in importance to the Oregon independent colleges. The latter had 10,700 students enrolled in 1972-73. But since the programs offered by the proprietary schools typically are of less than a year's duration, they serve a greater number of students overall.

Jobs for which proprietary schools train students include the occupations of accountant, secretary, computer operator, medical assistant, beautician, pilot, mechanic, heavy equipment operator and barber. In short, they offer vocational training for very specific purposes. Some of that job oriented training is hardly different from that

---

*For a more extensive treatment of this topic, see Chapter 2 or request a copy of the technical appendix to this report entitled, "Private Vocational Schools and Community Colleges," from which the data in this section are derived.

BEST COPY AVAILABLE

offered in public colleges in Oregon (e.g. computer programming).

The Federal government has already recognized proprietary schools. Last year over 2½ million dollars of Federal money came into these Oregon schools via several programs, the most important one being the G.I. Bill.

Thus a good argument can be made for following the Federal government's lead and allowing state grants to be used at the proprietary schools. Naturally, in practice, such an inclusion cannot be automatic. State approval by EdPlan would be necessary.

BEST COPY AVAILABLE

Consumer Information

Some critics will suggest that market mechanisms in the real world often are hampered by a lack of information, and that this especially applies to education. It is all very well to say that students, when given some degree of financial independence, will make rational choices and so make the educational system respond to their needs and those of society. But most students have an incomplete picture of their alternatives, whether in career choice or in schooling. We are convinced that more complete information about college and jobs is essential to the proposed program.

The necessary groundwork for more complete information has already been done. Funded by a federal grant, a team at the University of Oregon is expanding the existing Career Information System (which is already used in many Oregon high schools) to include information on educational alternatives.

A person interested in defining his future career can presently do so by computer terminal from a variety of locations, including most high schools in the state. He can start at a very basic level, by answering a number of questions concerning his skills, abilities, desired income and intentions of pursuing additional schooling. Following this, the computer will describe a number of career alternatives to him, based on the information he provided. Out of these career alternatives he can then pick the ones that interest him the most. Within the next few months education and training information will

BEST COPY AVAILABLE

also be incorporated on the computer program. Along with information on schools and on available financial aid, the computer will also provide sources of further information for the Oregon student.*

---

*A more complete description of this system can be found in the technical report titled "Information Availability and College Seeking," available upon request. The current status of the education "file" can be found by writing or calling:

Office of the Director
Career Information System
Hendricks Hall
University of Oregon
Eugene, Oregon 97403

BEST COPY AVAILABLE

SUMMARY

Computer Simulation

BEST COPY AVAILABLE

SUMMARY - Computer Simulation

The tables in this section are condensed versions of tables found in Chapter 5 which present the development of fund applications during all four introductory stages of our plan. Chapter 5 also provides more background on the methodology of the simulation. The tables in this section, however, are limited to contrasting the present situation with the final stage (Step 4) of the introduction of the plan. Since Steps 1 through 3 are supposed to last one biennium each, Step 4 will be reached after six years of graduated increases in both tuition and student aid funding. (Note that all figures are for a 3-quarter term, 9 month academic year, September to June).

During the successive steps of the introductory period, increasing amounts of state funds would be given to Oregon citizens in the form of grants. Under our proposal, these state grants would be money that previously had gone directly to the public colleges. Thus the public colleges would be forced to increase their tuitions in order to cover their expenses (Table I-2). Under our proposal, approximately $76.2 million would be available annually by Step 4 (Table I-3).* This $76.2 million is the limiting amount for the various portable need grants and scholarship grants (Table I-6). Our computer simulation was programmed to meet 90% of resident undergraduate student need. The remainder of the $76.2 million was used for scholarship grants.

---

*Most but not all of the money derived from decreases in direct support of colleges as per Table I-3 will be state general fund money. Some will be local funds. See Chapter 2 for more details on colleges' sources of funds.

BEST COPY AVAILABLE

The college tuition increases which would amount to $76.2 million will not cause financial need among students to increase by the same amount but by a lesser one, which is the difference between the initial unfilled need (about $17 million) and the calculated unfilled need in Step 4 which amounts to somewhat over $68 million. The tuition increase of $76.2 million has only increased need by the difference between these two amounts, or $51 million (Table I-4). $54.4 million of the total $68 million need present among all students in Step 4 is need among resident undergraduates (Table I-4). This group, the one that is eligible for Need Grant support, makes up three-quarters of the students at all Oregon colleges (Table I-5).

We recommend that by Step 4 65% of the $76.2 million that has become available for alternative funding be used for Need Grants. That way, the total amount of the expansion in Need Grants will be approximately $49.5 million. The remainder will be spent on the three types of Scholarship Grants (Table I-6). The amount of Need Grant money will therefore cover over 90% of the $54.4 million in need which will be present among resident undergraduates in Step 4 (Table I-7).* We recommend that graduate student need be met through long term loans.

---

*The reader may wonder why, in view of the amount of funds that has become available, we should not be able to cover 100% of these students' needs. One answer is that it would not be practical. To cut down on administrative expenses we should probably set a minimum amount below which no Need Grant will be given. This will cause some individual students' needs which fall below this amount to remain unfilled. In addition, the requirement that self-supporting students cannot receive more than 50% of remaining need as a Need Grant and the upper age limit of 24 will produce some unmet need.

BEST COPY AVAILABLE

The financial need figures in Table I-4 provided the basis for estimating minimum loan needs. Total resident undergraduate financial need not covered by Need Grants is expected to amount to $4.9 million (Table I-7). Graduate financial need (exclusive of medical and dental students), which will not be covered by Need Grants, is expected to amount to $8.7 million (Table I-4). However, only about 60% of graduate students are residents. Assuming that the state loans will be available only to residents, graduate financial need to be covered will amount to $5.2 million. The increase in total of undergraduate and graduate needs to be covered by loans therefore amounts to $10.1 million per year.

The present total loan guarantee capacity is less than $50 million. The total amount outstanding is close to that but is expected to stabilize soon. Currently, about $8.5 million in loans is being guaranteed each year.

Assuming an approximate doubling of that amount, we suggest similar expansion of the state-run loan program. The loans could be of two types. Type 1 could be an expanded version of the current loan guarantee program. Type 2 could be a Long Term Income Contingent Repayment loan payable over 20-30 years.* The Type 2 loan would be used primarily by students who expected higher earnings as a result of their schooling--probably graduate students primarily.

---

*This doubling in long term loans is a minimum. Capacity should be increased beyond this if there were higher tuitions at medical schools and long term loans for medical and dental students. Another reason for having a total capacity exceeding the $100 million arrived at by conventional need analysis would be to provide recourse for students whose parents do not contribute according to the standards which are presently applied by financial aid officers. The high levels of these expected contributions from middle-class families are beginning to draw criticism (Chapters 3 and 4).

BEST COPY AVAILABLE

Table I-2

AMOUNT AVAILABLE FOR ALTERNATIVE FUNDING PER STUDENT
DUE TO TUITION INCREASES

	Tuition Levels per Student		Resulting Funds Available per Student
	Current (1972-73)	Step 4	Step 4
Community Colleges			
All students	$ 300	$1,300	$1,000
4-Year State Institutions			
Lower Division, in-state	520	1,300	780
Lower Division, out-of-state	1,600	1,400	(200)*
Upper Division, in-state	520	1,500	980
Upper Division, out-of-state	1,600	1,600	---
All Graduate Students	760	2,400	1,640
4-Year Independent Colleges			
All Undergraduates	1,600	1,600	---
All Graduate students	1,600	2,400	800

*( ) = Decrease

BEST COPY AVAILABLE

Table I-3

TOTAL AMOUNT OF FUNDS AVAILABLE FOR ALTERNATIVE FUNDING DUE TO TUITION INCREASES

(Based on 1972-73 Enrollment)

	FTE Enrollment 1972-73		Funds Available in Step 4 per student in dollars	Total in $1,000
Community Colleges				
All Students	34,738		$1,000	$34,738.0
Total, Comm. Coll.	34,738	(ave)	1,000	34,738.0
State System Schools				
Lower Division, in-state	19,863		780	15,493.1
Lower Division, out-of-state	2,837		(200)	-567.4
Upper Division, in-state	16,079		980	15,757.4
Upper Division, out-of-state	2,365		---	---
All Graduate Students	6,148		1,640	10,082.8
Total 4-Year State	47,292	(ave)	$ 862	$40,765.8
Total All Public Colleges	82,030	(ave)	920	75,503.8
Independent Colleges				
All Undergraduates	9,839		---	---
All Graduate students	856		800	684.8
Total Independent	10,695	(ave)	$ 64	$ 684.8
Grand Total	92,725	(ave)	$ 822	$76,188.6

BEST COPY AVAILABLE

Table I-4

FINANCIAL NEED AT TWO TUITION LEVELS
WITHOUT EXPANSION OF STUDENT GRANTS

Financial Need in $1,000*	Level of Tuition		Total Difference
	Current	Step 4	
In-state, lower division	$12,480	$43,913	$31,433
In-state, upper division	1,455	10,503	9,048
Total in-state undergraduates	$13,935	$54,416	$40,481
Out-of-state, lower division	2,078	4,490	2,412
Out-of-state, upper division	553	553	---
Total out-of-state undergraduates	$ 2,631	$ 5,043	$ 2,412
Total, lower division	14,558	48,403	33,845
Total, upper division	2,008	11,056	9,048
Total, all undergraduates	$16,566	$59,459	$42,893
Total, Graduates	490	8,737	8,247
Total, all students	$17,056	$68,196	$51,140

*After subtraction of present or expected parental support, whichever is highest, present level of aid at the colleges (which is largely of Federal origin) and standard self-help. "Present level of aid" includes some portion of Need Grant money dispersed under present program and ignores certain college aid granted after the term began. These relatively small amounts should cancel each other.

BEST COPY AVAILABLE

Table I-5

POTENTIAL ELIGIBILITY FOR NEED GRANT SUPPORT
by Type of Institution Attended

	Community Colleges	4-Year Public Colleges	4-Year Indep. Colleges	All Colleges	FTE Students
Base: 1972-73 Enrollment*	(34,738)	(47,290)	(10,695)	(92,723)	
	%	%	%	%	
In-state, Lower division	82	42	25	55	50,988
In-state, Upper division	--	34	16	19	17,617
Total, Eligible Students	82%	76%	41%	74%	68,615
Out-of-state, Lower division	13	6	31	12	11,127
Out-of-state, Upper division	--	5	20	5	4,636
All Graduate Students	5	13	8	9	8,345
Total, Ineligible students	18%	24%	59%	26%	24,108
TOTAL	100%	100%	100%	100%	92,723

*FTE (Full Time Equivalent), not headcount enrollment.

BEST COPY AVAILABLE

Table I-6

BREAKDOWN OF GRANTS TO OREGON CITIZENS BY TYPE
IN STEP 4 of PROPOSED PLAN

	In $1,000	In Percentage
Available for Alternative Funding	$76,189	100%
Available for Need Grants	$49,523	65%
Available for Scholarship Grants	$26,666	35%

BEST COPY AVAILABLE

Table I-7

NEED GRANTS' COVERAGE OF IN-STATE UNDERGRADUATE FINANCIAL NEED

	Present	Step 4
Total need before Need Grant expansion	$13,935	$54,416
Need Grant expansion by State	---	49,523
Remaining unmet need	$13,935	$ 4,893
Percentage of need met by expansion of Need Grant program	0%	91%
Percentage of remaining unmet need	100%	9%
	100%	100%
Number of eligible students		68,615
Average additional Need Grant available per eligible student	---	$722
Average amount of remaining unmet need per eligible student	$203	$71

LIST OF TECHNICAL REPORTS

Published as Supplements to the Portable Grant Study Final Report, edited by Shari Meats.

		Number of Pages
1.	Information and College Seeking	48
2.	Benefits and Costs	37
3.	Overlapping Applications 1973-74	6
4.	Private Vocational Schools and Community Colleges	43
5.	Incidental Fees	16
6.	The Use of Social Security and the G.I. Bill in Oregon Higher Education	4
7.	An Argument for a State Provided Birthright	4
8.	Foregone Income	2
9.	The Adequacy of the Parents Confidential Statement in Determining Financial Need	19
10.	Basic Educational Opportunity Grants (BEOG)	4
11.	Differences on Tri Partite Applications	3
12.	Students Without Money	2
13.	Problems and Possibilities in Accreditation	2
14.	Problems with Tenure	5
15.	A Summary of the "Newman Report on Graduate Education"	5